

U.S.-KOREA TRADE AGREEMENT

Minnesota Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Minnesota agricultural products, including feed grains, soybeans, pork, dairy, and beef. Minnesota's agricultural exports to all countries, estimated at \$4.3 billion in 2009, supported about 34,400 jobs, on and off the farm. These export sales make an important contribution to the Minnesota farm economy, which had total cash receipts of \$13.3 billion in 2009.

Feed Grains. Minnesota is the nation's fourth largest exporter of feed grains and products. Corn is the state's largest agricultural industry as farm cash receipts totaled \$3.8 billion in 2009. Among the KORUS agreement's benefits to Minnesota's feed grain producers and processors:

- U.S. exports of corn for feed are guaranteed to enter at zero duty immediately. Korea is currently the third largest market for U.S. corn for feed.
- The KORUS agreement includes a new 93,774 metric ton duty-free tariff-rate quota (TRQ) for corn for processing that grows quickly to 393,849 tons by year 7, after which quantities will be unrestricted.

Soybeans and Products. Minnesota is the nation's third largest exporter of soybeans and products with sales estimated at \$1.5 billion and total farm cash receipts of \$2.6 billion in 2009. The KORUS agreement will provide many benefits to the Minnesota soybean industry.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free TRQ starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Hogs and Pork. Pork is the third largest source of farm cash receipts with sales of \$1.7 billion in 2009 and nearly 13 percent of Minnesota's total farm receipts. Under the KORUS agreement:

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen pork products as well as some fresh and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.

Dairy Products. Minnesota's dairy cash receipts totaled \$1.2 billion in 2009. Among the KORUS agreement's benefits to Minnesota's dairy producers and processors:

- Duty-free TRQs will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Cattle and Beef. Farm cash receipts from cattle and beef totaled \$984 million in 2009. Under the KORUS agreement:

- For beef muscle meats, the agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Minnesota to World
Feed Grains	\$11,979,000,000	\$1,043,000,000
Soybeans and Products	\$17,709,000,000	\$1,501,000,000
Hogs and Pork	\$2,204,000,000	\$2,000,000
Cattle and Beef	\$6,703,000,000	\$1,000,000
Dairy Products	\$2,335,000,000	\$110,000,000
Agricultural Total	\$96,632,000,000	\$4,284,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.